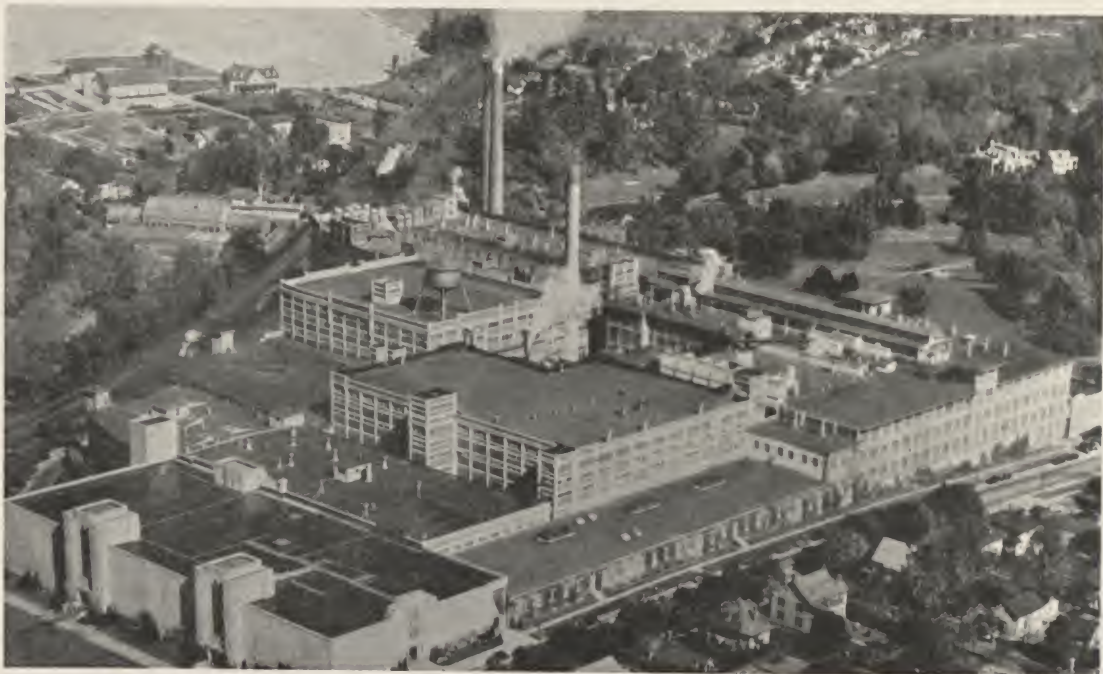


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# ANNUAL REPORT

DECEMBER 31, 1939



Home of Hershey's Products

**HERSHEY CHOCOLATE CORPORATION**  
HERSHEY, PENNA.

HERS  
CORP. FILE

HERSHEY CHOCOLATE CORPORATION  
EXECUTIVE OFFICES, HERSHEY, PA.

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OFFICERS

M. S. HERSHEY, Chairman of the Board  
W. F. R. MURRIE - - - - President  
E. F. HERSHEY - - - - Treasurer  
W. S. CROUSE - - - - Secretary  
O. E. BORDNER - - - - Comptroller

DIRECTORS

M. S. HERSHEY - - - - Hershey, Pa.  
W. F. R. MURRIE - - - - Hershey, Pa.  
E. F. HERSHEY - - - - Hershey, Pa.  
L. W. MAJER - - - - Hershey, Pa.  
P. A. STAPLES - - - - Central Hershey, Cuba  
W. S. CROUSE - - - - Hershey, Pa.  
O. E. BORDNER - - - - Hershey, Pa.

TRANSFER AGENT  
CITY BANK FARMERS TRUST CO.

REGISTRAR  
GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS  
ARTHUR ANDERSEN & CO., NEW YORK, N. Y.





Our Stockholders, as individuals, can greatly advance the Company's interest and their own, by using HERSHEY'S Products in their homes and recommending them to others.



# HERSHEY CHOCOLATE

(A DELAWARE CORPORATION)

## BALANCE SHEET -

### ASSETS

#### CURRENT ASSETS:

Cash .....		\$ 950,024.51
Accounts receivable .....	\$ 1,900,081.61	
Less - Reserve for bad debts and discounts .....	<u>143,120.96</u>	1,756,960.65
Raw materials, goods in process and finished goods; valued at the lower of cost or market .....		10,126,433.82
Total current assets .....		<u>\$12,833,418.98</u>

#### SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Supplies and repair parts .....	\$ 296,931.18	
Prepaid shipping expenses, insurance, salesmen's advances, etc. (including nominal amount for two inactive subsidiaries) .....	<u>228,730.67</u>	525,661.85

#### PLANT AND PROPERTY:

<u>Particulars</u>	<u>Cost</u>	<u>Reserves for Depreciation</u>	<u>Net</u>
Land .....	\$ 123,741.39	\$ -	\$ 123,741.39
Buildings and improvements .....	8,561,374.43	3,547,783.79	5,013,590.64
Machinery, equipment and fixtures .....	<u>12,486,750.41</u>	<u>7,916,742.49</u>	<u>4,570,007.92</u>
	<u>\$21,171,866.23</u>	<u>\$11,464,526.28</u>	<u>\$ 9,707,339.95</u>
Construction in progress .....			<u>68,862.87</u>
			<u>9,776,202.82</u>
			<u>\$23,135,283.65</u>

NOTE: The convertible preference stock is entitled to cumulative dividend of \$1.00 per share in any year in which dividends are declared on common assets, the convertible preference stock is entitled to receive \$50.00 per share of the convertible preference shares outstanding, exclusive of treasury stock, the value of such shares) and accumulated and unpaid dividends (if any) on the common stock with the common stock in any distribution of the balance until the total value of the share and accumulated and unpaid dividends (if any). Counsel for the Company has advised that the Company's policy is to make distributions upon the surplus of the Company by reason of the excess of the value of the capital assets of the Company over the stated value of such shares, less the cost of the treasury stock.



# ATE CORPORATION

CORPORATION)

DECEMBER 31, 1939

## LIABILITIES

### CURRENT LIABILITIES:

Bank loans .....	\$ 1,100,000.00
Accounts payable and accrued liabilities .....	1,136,698.32
Dividends payable February 15, 1940 on convertible preference and common stock .....	1,021,999.75
Reserve for Federal and state taxes (subject to review by taxing authorities) .....	1,933,854.73
Total current liabilities .....	<u>\$ 5,192,552.80</u>

### CAPITAL STOCK AND SURPLUS (Note):

Convertible preference stock (without par value) -			
Authorized and issued, 350,000 shares of which 78,649 shares have been converted into common stock			
Issued and outstanding, 271,351 shares (including 17,507 shares held in treasury) at stated value .....	\$ 271,351.00		
Common stock (without par value) -			
Authorized, 1,000,000 shares of which 271,351 shares are reserved for conversion of convertible preference stock			
Issued and outstanding, 728,649 shares (including 42,900 shares held in treasury) at stated value .....		728,649.00	
		<u>\$ 1,000,000.00</u>	
Surplus at organization .....		3,297,212.48	
Earned surplus .....		17,440,966.06	
		<u>\$21,738,178.54</u>	
Deduct - Treasury stock, at cost -			
Convertible preference stock -- 17,507 shares	\$ 1,287,635.19		
Common stock .....	2,507,812.50	3,795,447.69	17,942,730.85
			<u>\$23,135,283.65</u>

ive dividends at the rate of \$4.00 per share per annum, plus an extra  
d (or paid) on the common stock. Upon any distribution of capital  
er share (amounting in the aggregate to \$12,692,200.00 on the basis  
shares, at December 31, 1939 or \$12,438,356.00 in excess of the stated  
before any distribution to the common stock, and shares equally  
nvertible preference stock shall have received a total of \$100.00 per  
ne Company have advised that, in their opinion, there are no restric-  
ference of the convertible preference shares in any distribution  
res. The surplus accounts, however, are restricted to the extent of

# HERSHEY CHOCOLATE CORPORATION

## SUMMARY OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1939

Particulars	Amount
GROSS PROFIT ON SALES (including adjustment to reduce inventory from cost to lower of cost or market at December 31, 1939, \$107,406.34) .....	\$12,912,326.66
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES .....	5,530,398.71
Net profit from operations .....	\$ 7,381,927.95
OTHER INCOME:	
Profit from scrap and creamery products, discounts and other miscellaneous income, less miscellaneous deductions (\$88,810.72) .....	\$ 411,376.13
Net profit before provision for income taxes .....	\$ 7,793,304.08
PROVISION FOR INCOME TAXES:	
Federal income tax .....	\$ 1,280,000.00
Commonwealth of Pennsylvania income tax .....	280,000.00
Net profit carried to earned surplus .....	\$ 6,233,304.08

NOTE: Cost and expenses include provision for depreciation on plant and equipment in the amount of \$792,733.62.

## SUMMARY OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1939

Earned surplus at December 31, 1938 .....	\$14,534,128.98
Net profit for the year ended December 31, 1939 .....	6,233,304.08
	\$20,767,433.06
Dividends:	
Convertible preference stock .....	\$ 1,269,220.00
Common stock .....	2,057,247.00
Earned surplus at December 31, 1939 .....	\$17,440,966.06

ARTHUR ANDERSEN & CO.  
67 WALL STREET, NEW YORK

To the Board of Directors,  
Hershey Chocolate Corporation:

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1939, and the summaries of profit and loss and earned surplus for the year ended that date. In connection therewith we have examined or tested accounting records of the Company and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the Company by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions.

In our opinion the accompanying balance sheet and related summaries of profit and loss and earned surplus fairly present the financial position of Hershey Chocolate Corporation at December 31, 1939, and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles maintained by the Company on a basis consistent with that of the preceding year.

New York, N. Y., February 24, 1940.

ARTHUR ANDERSEN & CO.